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RHEBAAA/DEPT OF ENERGY WASHDC PRIORITY  
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SIPDIS

SCA/CEN; EEB  
PLEASE PASS TO USTDA DAN STEIN  
ENERGY FOR EKIMOFF/THOMPSON  
COMMERCE FOR HUEPER

E.O. 12958: DECL: 01/20/2019  
TAGS: [EINV](#) [EPET](#) [ECON](#) [TX](#)  
SUBJECT: TURKMENISTAN: SOUTH KOREAN NATIONAL ENERGY  
DEVELOPMENT COMPANY PREPARING OFFSHORE PROPOSAL

Classified By: Charge Richard Miles for reasons 1.4 (b) and (d).

11. (C) Chevron's Amcit country manager told poloff January 16 that a South Korean diplomat had invited him to lunch recently to talk about energy development in Turkmenistan. The South Korean wanted to know about the status of Chevron's project proposal process with the Turkmen government. He said that Korean National Oil Corporation (KNOC) was putting together a proposal to develop an unidentified offshore block, and had in recent months, requested exploratory data from the Turkmen government. With an interest in understanding whether intergovernmental economic commissions play any useful role in improving the odds of having a proposal positively received, the Chevron country manager said he had learned that South Korea had established an intergovernmental commission with the Turkmen government last year, but it met only once a year and even the South Koreans believe it plays no significant role in the advancement of their business interests here.

12. (C) Expounding on the subject of national energy companies, the Chevron country manager opined that such companies have a tendency to provide developing countries with very favorable deals in the beginning that earn minimal profit margins and offer capital loans at rock-bottom rates. In the longer term, however, he said recent press regarding such companies' work in countries like Venezuela and Nigeria seems to suggest that they are unable to significantly boost production numbers. The primary reasons for this are their lack of advanced technologies and reluctance to commit to significant capital expenditures that expand production, he said.

13. (C) Regarding Chevron's effort to move forward on negotiations, the Chevron country manager said the government was continuing to send him in circles. On January 16, State Agency for Management and Use of Hydrocarbon Resources Director Kakayev advised him to contact Oil and Gas Minister Deryayev to get the negotiations going. However, in previous

days, Turkmen Gas State Concern Chief Hojamammedov had advised him to go to Kakayev, and Oil and Gas Deputy Chairman Tagiyev directed him to Deryayev as well. The Chevron country manager, who has confessed to being frustrated with the process, said that the sister of his assistant works for the Saudi Arabian Ambassador, and she had learned that the ambassador's tactic for getting responses from the Turkmen government is to be a squeaky wheel, levying constant and repeated pressure on Foreign Minister Meredov to get the desired response. He wondered if that was the right approach for Chevron to adopt as well here.

14. (C) COMMENT. Charge Miles has tried the squeaky wheel approach while pushing for high level meetings in Turkmenistan for senior representatives of Conoco-Philips and Chevron, respectively. So far this has not worked. In this context, the Charge was told recently by the Deputy Foreign Minister, "If you find a door closed to you, you must try other doors." Unfortunately, Chevron has not had much luck with that approach either. END COMMENT.

15. (C) FURTHER COMMENT: The South Korean Embassy's desire to know more about the status of others who have made energy proposals to the Turkmen government suggests KNOC may be submitting its own proposal soon. The South Koreans may be seeking to avoid the issues that other companies have experienced here, but companies looking to enter the Turkmen market have few reliable tools with which they can measure their own progress. END COMMENT.  
MILES